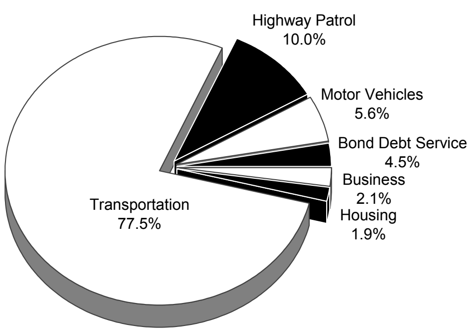
Business, Transportation, and Housing

The Business, Transportation, and Housing Agency includes programs that plan, build, and maintain California's state transportation systems; ensure efficient and fair markets for the real estate industry, health care plans, and certain financial businesses; and assist community efforts to expand the availability of affordable housing for a growing workforce. In addition, the Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Information on the Highway Patrol's budget can be found in the Corrections and Law Enforcement section.

Figure BTH-1 displays the funding proposed in the Business, Transportation, and Housing portion of the Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for general obligation bond debt service for transportation projects and bridge seismic retrofit, and to support a variety of programs in the Department of Housing and Community Development.

Figure BTH-1

Business, Transportation and Housing Agency 2002-03 Expenditures



Transportation

The Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety, and local government agencies administer transportation and related public safety programs. Transportation funding comes from State and federal fuel taxes, the sales and use tax on fuel, motor vehicle license and registration fees, weight fees for trucks, and local sales taxes. The Budget proposes total expenditures of $11.2 billion in 2002-03 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement.

Department of Transportation

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak as well as technical assistance and development loans to more than 100 of California's public general aviation airports.

The Budget proposes $9.0 billion in 2002-03 expenditures for Caltrans from federal funds, various State funds, and reimbursements, and staffing of 23,479.6 personnel years. This amount includes $2.2 billion for programs that assist local governments in constructing and operating highway, road, and transit systems; and $3.5 billion in spending on capital projects. Since 1999-00, the Administration has spent a total of $34 billion dollars on transportation, an increase of $13 billion over the prior four years. In addition, as described below, the Transportation Congestion Relief Act of 2000 was enacted to increase the funding for transportation by an additional $6.1 billion between 2003-04 and 2007-08.

Transportation projects and operations generally are supported from dedicated funding sources. This approach guarantees funding for multi-year planning processes that need sustained revenues to fund large projects. The four major transportation funding sources are:

- ❖ State and federal fuel taxes deposited in the State Highway Account (SHA).
- ❖ Certain sales taxes on fuel deposited directly in the Public Transportation Account (PTA), which fund transit and intercity rail capital projects as well as transit operations.
- ❖ The Traffic Congestion Relief Fund (TCRF), which supports 142 projects and studies designated in the authorizing statute. The TCRF was established in 2000 with a one-time General Fund appropriation, and beginning in 2003-04 will receive annual allocations of sales taxes on fuel through the Transportation Investment Fund.
- ❖ The Transportation Investment Fund, which operates from 2003-04 through 2007-08, providing additional transportation resources from sales taxes on fuel. Resources are allocated by the following statutory formula:
    - ❖ 40 percent for the State Transportation Improvement Program (STIP).
    - ❖ 40 percent for allocations to cities and counties for local street and road repairs
    - ❖ 20 percent to the PTA, in addition to certain sales tax receipts deposited directly into the account.

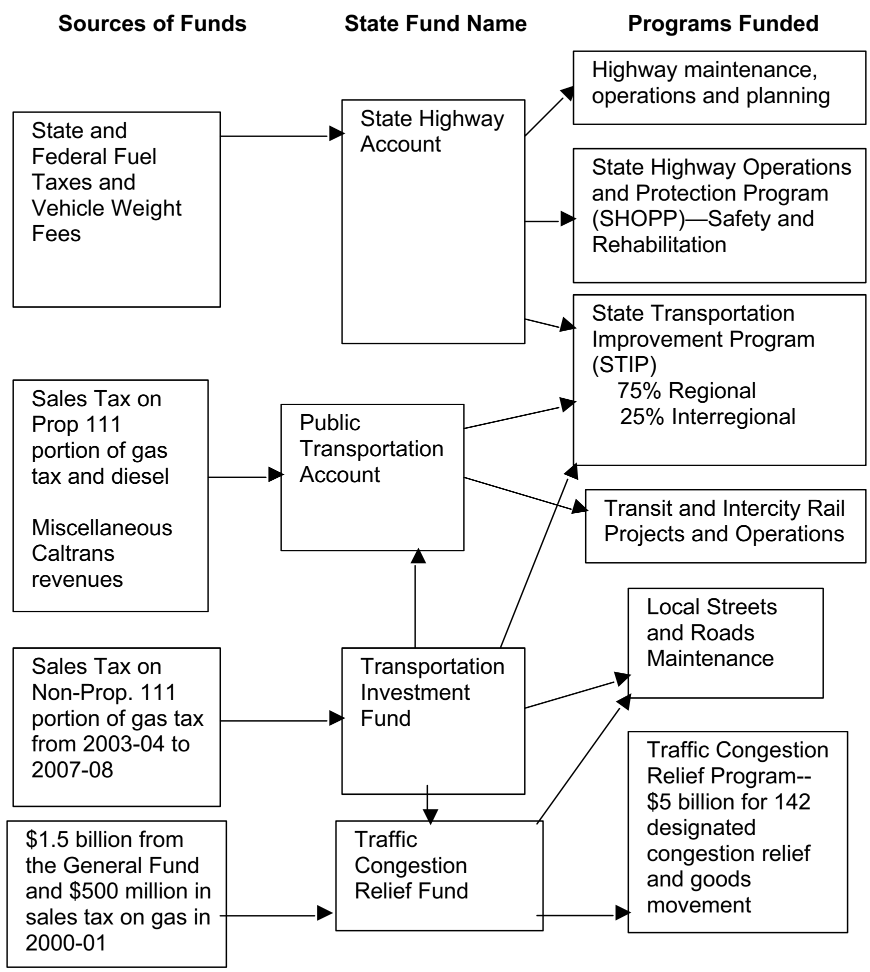
Figure BTH-2 displays the relationships between these programs.

Major Capital Outlay Initiatives And Programs

The Budget estimates $3.3 billion for transportation capital outlay program expenditures, an increase of $1.1 billion over estimated expenditures for 2001-02.

Figure BTH-2

Sources and Uses of Major Transportation Funding



Transportation Congestion Relief Act of 2000—As noted above, in 2000 the Legislature and the Administration enacted the Traffic Congestion Relief Act, creating a six-year funding plan for state and local transportation needs (Chapters 91, 92, and 656, Statutes of 2000). At that time, this plan was expected to provide $6.8 billion from the General Fund—$1.5 billion from an initial General Fund appropriation and $5.3 billion from the transfer of sales taxes on fuel over the life of the Act. In addition, the Act created two new funds mentioned earlier—the Traffic Congestion Relief Fund that would receive $5.4 billion of the $6.8 billion to support 142 projects designed to reduce congestion and enhance goods movement; and the Transportation Improvement Fund (TIF) that would distribute approximately $600 million for local streets and roads improvements, $600 million to the State Transportation Improvement Program (STIP), and $300 million to the PTA.

As the economy began to slow in early 2001, the Administration and Legislature revised the funding timetable for the Act. The starting date for transferring the sales tax funding was deferred until 2003-04, and the plan was extended through 2007-08 (Chapter 512, Statutes of 2001). This revision to the funding timetable results in the Traffic Congestion Relief Act providing a total of $8.1 billion for transportation projects and operations through 2007-08 (see Figure BTH-3). (Chapter 87, Statutes of 2001, is a constitutional amendment that will be placed before the voters in March 2002 to permanently dedicate sales taxes on fuel to transportation purposes).

Figure BTH-3

Transportation Funding Plan
(Dollars in Millions)

Resources	
General Fund appropriation	$1,500
Sales tax on gasoline	$6,596
Total Resources	$8,096
Uses of Funds	
Designated Traffic Congestion Relief Projects	$4,914
State Transportation Improvement Program	1,318
Local Streets and Roads Maintenance	1,308
Public Transportation Account	556
Total Uses of Funds	$8,096

As of December 2001, $2.4 billion of the funding from the Traffic Congestion Relief Program (TCRP) has been authorized since the program began a year ago. A total of 129 of the 142 projects included in the TCRP have been approved for funding.

2002-03 TCRP Cash Management— As part of the 2002-03 General Fund spending plan, the Budget proposes to loan $672 million of TCRP monies to the General Fund and loan $474 million concurrently from SHA cash to the TCRF. The Administration proposes statutory provisions to require that all loans be repaid when funds are needed to meet project cash needs. This loan program will not adversely affect the delivery of any TCRF or SHA funded projects or programs. As part of the overall transportation cash management program, all transportation capital outlay is budgeted on a cash basis. By providing the SHA with the authority to borrow for short-term cash flows needs from the General Fund, a $360 million cash balance in the SHA can be freed up for projects.

Seismic Retrofit of Bridges and the San Francisco-Oakland Bay Bridge Funding—In 1989, the Loma Prieta earthquake in the Bay Area revealed the need for seismic retrofit of California's bridges. SB 60 (Chapter 327, Statutes of 1997) authorized a $2.62 billion financing plan for the retrofit of the seven state toll bridges—San Francisco-Oakland Bay Bridge, Benicia-Martinez Bridge, San Mateo-Hayward Bridge, Richmond-San Rafael Bridge, Carquinez Bridge, Vincent Thomas Bridge, and the San Diego-Coronado Bridge. In particular, the Bay Bridge required major rebuilding, involving replacing the east span and retrofitting the west span.

However, in early 2001, it became apparent that additional funding would be required to complete the work envisioned under SB 60, particularly for the retrofit and reconstruction of the Bay Bridge. In the summer of 2001, the Administration proposed an innovative financing plan to complete the seismic retrofit of the Bay Bridge. This plan relied partly on revenue bonds and partly on federal funding through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). Chapter 907, Statutes of 2001 (AB 1171), incorporated the majority of this plan, authorizing an additional \$2.017 billion for the seven bridges, for a total project cost of \$4.637 billion. Chapter 907 also directed the California Infrastructure and Economic Development Bank to issue revenue bonds for the Bay Bridge project on behalf of Caltrans. Debt service and the costs of issuance will be funded from toll revenues.

Work is also continuing on the seismic retrofit of state owned non-toll bridges funded under Proposition 192. In the first phase, seismic problems were corrected on 1,039 bridges statewide (primarily single-column bridges). In the second phase, 1,155 bridges (primarily multiple-column) will be seismically retrofit. Proposition 192 provided \$1.35 billion for phase two, and virtually all (1,133) have been retrofit. Of the remainder, four are under construction, and the final 18 are in the design stage.

Bridge Security Upgrades—Current year expenditures reflect the anticipated receipt of \$24.2 million in federal funds to reimburse security costs incurred on the state's toll bridges to protect against terrorist attacks.

State Transportation Improvement Program (STIP)—The STIP is a state-regional planning process that identifies projects to be funded from the four major transportation sources described earlier. A new STIP is prepared every two years that covers the next five-year period. By statute, each regional transportation-planning agency is allocated a share of the STIP's programming capacity and nominates projects from its share. In total, regionally programmed projects receive 75 percent of STIP funds. Caltrans identifies projects of interregional benefit using the remaining 25 percent of the funds. In calculating resources available for the STIP, the California Transportation Commission first sets aside funds for highway safety projects and major rehabilitation programmed through the State Highway Operations and Protection Program (SHOPP), as well as funds for Caltrans' operations. In August 2002, the Commission took the first step in creating the 2002 STIP by adopting the "STIP Fund Estimate," which projects that \$3.882 billion will be available for programming between 2002-03 and 2006-2007. The 2002 STIP will be adopted in August of 2002.

Local Assistance Programs

Caltrans provides State and federal transportation funds to local agencies through its local assistance budget. Funds are used primarily for local capital projects off the State highway system, mass transit capital improvement projects, and bridge improvement projects. The Budget proposes $2.2 billion in local assistance funding for transportation in 2002-03, including $332.9 million from the SHA, $645.6 million from the Traffic Congestion Relief Fund, $1.2 billion in federal funds, and $32 million from special funds.

State Operations Budget

The Governor's Budget proposes $3.1 billion in state operations funding supporting transportation in 2002-03, including $2.1 billion from the SHA, $425 million in federal funds, and $580 million from special funds. This funding level represents a reduction of $72 million over currently estimated 2001-02 expenditures. Specifically, the Budget includes:

Better Information Systems for Better Project Delivery—$77 million for Caltrans to plan and deliver a series of projects supporting integrated systems of financial management, local project management, land management, and construction contract payments. Other funded efforts include development of a project management office for information technology projects and review of how Caltrans provides its information technology program and services.

Storm Water Compliance—$23.4 million and 167.5 personnel years to implement the Storm Water Management Plan of August 2001, and to comply with the requirements of the Federal Clean Water Act. With this increase, the Budget includes a total of $84.9 million in support costs for compliance with the Act.

Caltrans' Mobile Fleet Greening Strategy—$10 million for Caltrans to continue the replacement and retrofit of its fleet from vehicles that use conventional diesel fuel and gasoline to those that use cleaner burning fuels, reducing emissions that degrade California's air quality.

Freeway Service Patrol—$5 million for a new competitive grant component of the Freeway Service Patrol program. Grants for new or expanded service will be pursuant to specified criteria, including the cost/benefit ratio pursuant to traffic congestion relief.

Litter and Graffiti Removal—$2.8 million for one-time mural restoration in the Los Angeles area; a two-year urban youth training program conducted by the California Conservation Corps (in which trainees will assist Caltrans' crews in their litter and graffiti removal efforts); and a pilot program involving the use of litter removal vehicles.

Caltrans Staffing—The Budget proposes 23,479.6 personnel years in 2002-03 for Caltrans, a net increase of 62.1 personnel years over adjusted 2001-02 expenditures. This increase results primarily from staffing requirements to implement the statewide Stormwater Management Plan. Caltrans' capital outlay support staffing will be re-evaluated for the May Revision, when more accurate information is available on workload for the 2002 STIP.

High-Speed Rail Authority

The Authority is planning the development and implementation of an intercity high-speed rail service that achieves speeds of at least 200 mph and is fully integrated with California's existing intercity rail and bus network. A business plan issued in January 2000 advised that the first step would be a program-level environmental impact report (EIR) that would take an estimated three years and $25 million to complete.

The Authority received $5 million in 2000-01 for the first year of this work and $2.5 million in 2001-02 through an interagency agreement with Caltrans to continue the effort. (An additional $498,000 will be received from Caltrans in 2002-03.) In November 2001, the Authority reduced its estimate of the EIR's cost from $25 million to $17 million, because it determined that one of the technologies that would have been studied for high-speed rail—magnetic levitation—no longer was a viable option.

The 2002-03 Governor's Budget proposes $7 million from the State Highway Account to largely finish the EIR, with full completion expected in 2003-04. At that time, the Authority will develop a long-term funding plan for high-speed rail for the Legislature's consideration, before proceeding further on the project.

Department of Housing and Community Development

The Department of Housing and Community Development (HCD) administers housing finance, rehabilitation, and community development programs; oversees the State's housing planning and code-setting processes; and regulates manufactured housing and mobile home parks. The Budget proposes $210.1 million and 495.9 personnel years for the Department's activities.

The State's housing programs have shared in the windfall revenues created by a very strong stock market. Prior to the Administration's major housing initiative in 2000, many of the State's housing programs were funded through periodic housing bonds and tax credits offered to developers of affordable housing. Due to current economic conditions, the Budget reflects the return to these more traditional sources. Despite this necessity, the Budget proposes $165.5 million local assistance for housing programs, more than 30 percent greater than the 1998-99 level of $126.5 million. Reductions proposed for the current and budget years are summarized below:

Reductions that affect 2001-02 only:

- ❖ $59.7 million by eliminating funds for Jobs-Housing Balance Improvement incentive grants. HCD will give priority in the allocation of other 2002-03 housing funding to localities that have increased issuance of housing permits, consistent with the intent of the Jobs-Housing Balance Improvement Program.

Program reductions that affect 2001-02 and 2002-03:

- ❖ $3 million for Downtown Rebound project loans and grants.
- ❖ $45.1 million for the Multifamily Housing Program in 2001-02, leaving $43.8 million in loan funds in the current year for projects that can begin construction by December 30, 2002. For 2002-03, the Budget eliminates the program's ongoing funding of $29.5 million in anticipation that voters will approve a housing bond in the November 2002 statewide election.

Reductions that begin in 2002-03:

- ❖ $3.6 million for Farmworker Housing grants, leaving $14 million for the program, or 300 percent more than the program's 1999-00 base.
- ❖ $2 million for Emergency Housing Assistance grants, leaving $11.3 million or 180 percent more than the program's 1999-00 base.
- ❖ $2.1 million by eliminating funds for the Self-Help Housing program.
- ❖ $300,000 for community affairs programs.
- ❖ $1.4 million for childcare facilities loan guarantees.
- ❖ $400,000 for housing policy review, planning, and assistance.

Department of Corporations

The Department of Corporations administers and enforces State laws governing the offer and sale of securities and franchise investments; the licensing and regulation of securities broker-dealers and investment advisers; and the licensing and examination of mortgage brokers, finance lenders, and escrow companies. Through these activities, the Department protects the public and helps promote the integrity of the financial services marketplace. The Governor's Budget proposes total expenditures of $35.3 million and 291.8 personnel years to support the Department.

Statewide Outreach on Predatory Practices (STOPP). Predatory investment and lending practices damage investors and borrowers, many of whom are targeted because they are uninformed. These practices also adversely affect the ability of California businesses to raise capital by diverting investors' money from legitimate investments or by siphoning off borrowers' money through inflated fees or unnecessary financing. The Budget proposes $10 million and 17.3 positions (16.4 personnel years) for the Department of Corporations to increase public awareness and call-center assistance, and for additional investigation and enforcement. This proposal complements augmentations proposed for the Department of Financial Institutions and the Department of Real Estate to combat predatory lending, pursuant to Chapter 731, Statutes of 2001.

The term "predatory lending" generally refers to the practice by some loan companies of encouraging individuals to take out risky or expensive home mortgage loans or some other forms of financing. Potentially vulnerable homeowners, such as the elderly, minorities, and women, are often targeted with offers of high-cost, home-secured credit. If they have trouble repaying the debt, they are often encouraged to refinance the loan into another unaffordable, high-fee loan that provides little or no economic benefit to the consumer. This cycle of high-cost loan refinancing can ultimately deplete the homeowner's equity and result in foreclosure and the loss of the home.

The Department of Corporations will conduct a statewide media campaign that helps seniors, minorities, and other potentially vulnerable populations protect themselves from predatory lending and investments. The augmentation will also support a one-stop contact center to improve the Department's communication with both the public and regulated businesses on these issues. STOPP will also increase investigation and enforcement activities to respond to predatory activities identified through the outreach and education campaign.

Department of Financial Institutions

The Department of Financial Institutions regulates depositary institutions, including commercial banks, savings associations, credit unions, and other providers of financial services. The Department licenses and regulates issuers of payment instruments, including companies licensed to sell money orders and travelers' checks. In addition, companies licensed to transmit money abroad are also licensed and regulated by the Department. Programs are supported by assessment of the various industries and license and application fees. The Governor's Budget proposes total expenditures of $19.5 million and 209.8 personnel years to support the Department.

Predatory Lending. Chapter 732, Statutes of 2001, is intended to reduce predatory lending practices by prohibiting certain types of loans and excessive fees. Chapter 732 requires lending institutions to consider the financial ability of borrowers to repay loans, with violation of this provision subject to a civil penalty.

In support of Chapter 732, the Budget proposes $310,000 and three positions to allow the Department to monitor licensees' compliance with the new law. Through comprehensive on-site examinations, the Department will identify illegal activities and take appropriate enforcement action.

Department of Real Estate

The Department of Real Estate licenses and regulates persons who conduct real estate transactions. The 2002-03 Governor's Budget includes $30.4 million and 304.3 personnel years for this purpose.

Predatory Lending. Effective July 1, 2002, Chapter 732, Statutes of 2001, creates the new Predatory Lending Law, which prohibits certain practices in the mortgage lending industry as described under the Department of Corporations' budget. The Budget includes $224,000 for three staff within the Department of Real Estate to investigate and take enforcement actions against predatory lenders. Augmentations to help deter predatory financial practices have also been proposed for the Department of Corporations and the Department of Financial Institutions.

Department of Managed Health Care

The Governor's Budget proposes a total of $32.5 million and 309.7 personnel years in 2002-03 for the Department of Managed Health Care and the Office of Patient Advocate, established July 1, 2000, by Chapter 525, Statutes of 1999, to regulate health care service plans and address consumer needs.

Specifically, the Budget includes:

- An augmentation of $500,000 for the annual health maintenance organizations (HMO) Report Card of the Office of Patient Advocate. With these funds, the Office will report on medical group performance, add cultural/linguistic indicators and more language interaction, analyze HMO complaint data, and study the feasibility of including information on the quality of care provided to persons covered by the Medi-Cal and Healthy Families programs.

- $234,000 to increase the frequency of routine exams for specialized health care plans from five to three years, in order to identify financially troubled firms more quickly and take corrective action.

Since its inception in 2000-01, the Department has spent $98.2 million on consumer protection activities. On an average annual basis, this is a 111 percent increase over program activities when managed health care oversight was a program within the Department of Corporations. Major changes since 1999-00 include addition of the Office of Patient Advocate and the HMO report card ($2 million), creation of the independent medical review process ($3.7 million), and expansion of financial monitoring of HMOs ($834,000).

Department of Motor Vehicles

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Department also collects the various fees that are revenues to the Motor Vehicle Account (MVA). The 2002-03 Governor's Budget proposes $666.7 million and 8,602 personnel years for support of the DMV, including the following significant augmentations:

- $10.5 million for retirement cost increases.
- $5 million for additional worker's compensation costs.
- $2.9 million for increased costs for mailing.
- $2.5 million to continue the replacement of obsolete terminals in field offices.
- $2 million to install queuing systems in 33 additional field offices for improved management of customer lines (the second year of a two-year project).
- $1.5 million for replacement of modular furniture systems and moving expenses associated with the headquarters asbestos abatement project.

The MVA is the major funding source for the Department of Motor Vehicles and the California Highway Patrol. As discussed under the California Highway Patrol's budget, the fund is experiencing growth in costs that is proposed to be offset through a combination of expenditure reductions and revisions to fees and penalties. As part of this proposal, the DMV's budget includes the following savings:

- $750,000 ($393,750 MVA) by directly contracting for construction workers rather than contracting for the same workers through the Department of General Services.
- $1,394,000 ($731,850 MVA) by reducing printing costs.
- $626,271 ($89,494 MVA) by automating the clearance of suspended transactions (e.g., when a smog certification is missing from registration papers).
- $2,600,000 ($371,540 MVA) from increased voluntary participation in Filing Electronic Proof of Insurance by insurance companies.
- $5,000,000 ($2,625,000 MVA) from miscellaneous operating expenses.
- $312,207 ($44,614 MVA) from eliminating the Registration Enhancement Development Unit.
- $721,000 (all MVA) by shifting the funding for the Research and Development Unit to reimbursements.

- ❖ $339,181 ($178,070 MVA) by eliminating the activity costing unit.
- ❖ $229,953 MVA by eliminating on-site occupational license inspections of business locations.
- ❖ $5 million MVA by eliminating the use of certified mail for the delivery of orders of suspension and revocation.
- ❖ $835,000 ($438,375 MVA) by eliminating student assistant contracts.

The following changes to penalties and fees are also proposed to help resolve the Motor Vehicle Account fund balance problem:

- ❖ $25 million from penalty increases for late payments on the $30 vehicle registration fee by an average of 90 percent. The minimum late payment penalty will be raised to $10 from $3. Revenues increase to $50 million beginning in 2003-04 with full-year implementation.
- ❖ $2 million from increasing filing fees to the $120 cost of the hearing for driving-under-the–influence (DUI) offenders who appeal their suspensions. This amount increases to $4 million beginning in 2003-04.
- ❖ $40 million from increasing fees to $4 per record for information provided to insurers and others who request driver record information.
- ❖ $4 million beginning in 2003-04 from the imposition of a $5 fee to retake a driving test.